

Functional Series 600: Budget and Finance
ADS Chapter 627 - LOCAL CURRENCY TRUST FUND MANAGEMENT

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627.1 Authority

1. [Foreign Assistance Act \(FAA\) of 1961](#), as amended, Section 625(h)
2. Department of State (State)/Treasury Department (Treasury) joint letter, dated May 21, 1997, Subject: Elimination of Foreign Transaction (FT) Accounting/Reporting System (FS 488 - Foreign Currency Statement of Transactions)

627.2 Objective

To establish accountability requirements that govern Local Currency Trust Funds (TF) management. This includes those accounts that are transferred from the cognizant United States Disbursing Officer (USDO) to the USAID mission controller as well as those initiated by the host country government directly with USAID after the USDO has transferred FT accounting/reporting responsibility.

627.3 Responsibility

1. Bureau Assistant Administrator (Bureau/AA)

When there is no Mission Director or acting Mission Director, the Bureau/AA has the responsibility of suspending the account balance comparison when it is politically appropriate based on local conditions.

2. Mission Director

The Mission Director is the defacto Owner of the bank account and has the on-site authority to notify the bank of any changes in Authorized Certifying Officers (ACOs). The Mission Director also has the responsibility of suspending the account balance reconciliation when it is politically or functionally appropriate based on local conditions.

3. Mission Controller

In countries where there are existing host government-owned/USAID-managed Local Currency Trust Funds, the USAID controller will assume full management responsibility for these trust funds. In countries where the Host Government decides to entrust

local currency funds with USAID under a trust fund agreement, the Mission Controller is responsible for establishing the bank account in the name of the Mission Director (defacto owner) and assuming full management of the newly established trust fund in accordance with the trust fund agreement.

4. Chief, Bureau for Management, Office of Financial Management, Central Accounting and Reports Division (M/FM/CAR)

Approves or disapproves waivers of policy and essential procedures herein when they conflict with USAID interests or with specific trust fund agreements.

627.4 Definitions (See [ADS Glossary](#))

MACS

627.5 POLICY

The statements contained within the .5 section of this ADS chapter are the official Agency policies and corresponding essential procedures.

627.5.1 FIDUCIARY RESPONSIBILITY

USAID Missions are required to fulfill their fiduciary responsibilities to their host governments as well as reporting procedures to USAID/Washington.

E627.5.1 Fiduciary Responsibility - N/A

627.5.2 MISSION ORDER - MANAGEMENT OF LOCAL CURRENCY TRUST FUND (TF)

Since banking laws and functions vary considerably from country to country, each managing Mission is required to establish a Mission Order governing Local Currency TF management. This will include the policies and essential procedures contained herein, required monthly bank and ledger reconciliation requirements, as well as addressing circumstances particular to the country of operation. The Mission Order must be established prior to the Mission's accepting responsibility for the TF management.

E627.5.2 Mission Order - Management of Local Currency Trust Fund (TF) - N/A

627.5.3 LOCAL CURRENCY TRUST FUND - TRANSFER

Prior to the transfer, the USDOs must reconcile existing TF accounts to USAID records, establish cut-offs, and close the existing accounts. The actual transfer of funds from the USDO's accounts to USAID-managed accounts will be worked out on a mission-by-mission basis.

If there are unresolved differences between USAID records and those of Treasury, the mission shall report the unreconciled differences to Bureau for Management, Office of Financial Management, Central Accounting and Reports Division (M/FM/CAR) and continue working with the USDO to resolve the differences.

E627.5.3 Local Currency Trust Fund - Transfer - N/A

627.5.4 BANK SELECTION AND AUTHORITY TO ESTABLISH ACCOUNTS

Where necessary, Controllers are authorized to establish an account or accounts with the banking institution used by the USDO for local currency check issuance. Checking and/or savings accounts shall be established as necessary for prudent management of the trust funds.

E627.5.4 Bank Selection, Authority to Establish Accounts

The accounts must be Corporate Accounts established in the name of the US Government (USG), acting through USAID, and shall not be in the name of any individual. Care must be taken in the name given the account, lest a creditor attempt to attach it. Having the "US Government" appear in the name is a prima facie indicator to any such person or court that the account is immune to attachment. A suggested name formulation is, "the USG acting through its USAID".

Use of a banking institution other than the one which holds the USDO local currency account must be justified and approved in writing by M/FM/CAR. It may require competitive procurement proceedings.

The Mission Director (position) is the de-facto owner of the account. This provides for on-site authority to notify the bank of any changes in ACOs by the Mission Director (or by the Mission Director's U.S. direct-hire, delegated agent). While M/FM/CAR can designate a new ACO, they are not "account owners". Since banks usually require any notification of change in ACOs be made by the "account owner", M/FM/CAR is not able to notify the bank of the ACO changes.

- The bank must be notified where there is a change in "account owner" (i.e., transfer of Mission Director).

Account disbursement approval authority is limited to Agency-designated ACOs at post. Good internal control procedures dictate the exclusion of the Mission Director when designating new ACOs; except where necessary, the Mission Director should not be designated as an ACO for Trust Fund disbursements.

627.5.5 TRUST FUND ACCOUNT DEPOSITS

Processing of host government contributions and other TF deposits must basically comply with existing procedures followed under USDO management of the TF accounts.

E627.5.5 Trust Fund Account Deposits - N/A

627.5.6 INVESTMENT MANAGEMENT

Missions must maintain an investment account ledger. All investment actions must be approved by the Mission Controller or designee.

Missions shall manage funds so that interest earned is maximized. Investments must be maintained with the approved bank, and must be held in bank-backed instruments providing a fixed rate of return, e.g. certificates of deposit.

Equity investments, even when offered by the approved bank, are not authorized.

E627.5.6 Investment Management - N/A

627.5.7 CHANGE OF AUTHORIZED CERTIFYING OFFICER

Missions with multiple ACOs must designate one person to be responsible for the TF account(s) and to approve all disbursement transactions.

When a change of ACO is necessary, the change in responsibility must be appropriately documented to show the transfer of accountability for the TF account.

Where no overlap of ACOs is possible, both the departing and incoming ACO must certify separate Status of Cash Report - Foreign Currency Trust Fund (MACS, U-111 Reports) to document and confirm transfer of accountability.

E627.5.7 Change of Authorized Certifying Officer

In the event of a difference between the reports, the incoming ACO determines how the discrepancy occurred, completes a reconciliation of the amounts. An irreconcilable difference identified as a result of a periodic reconciliation shall be reported to M/FM/CAR and to the ACO who has departed when it is found.

At a minimum, the status and amount of the individual components of any cumulative irreconcilable differences will be reported annually as of the end of the fiscal year to M/FM/CAR. The report is due at M/FM/CAR not more than 45 days later.

627.5.8 TRUST FUND DISBURSEMENTS

Since banking facilities vary considerably from one country to another, USAID policy is designed to ensure adequate internal control, yet allow controllers to establish procedures appropriate for their country of operation.

Individual controllers are authorized to make minor modifications to the disbursement procedures as necessary to meet the specific situation in their country of operation, provided that the basic internal control procedures are maintained and documented in the required Mission Order.

Missions must create a new disbursing office code in MACS under which TF transactions are posted.

E627.5.8 Trust Fund Disbursements

To standardize the procedures among USAID Missions, code 9XXX shall be used where the Xs represent the three digit USAID Country Code. Posts with more than one type of TF need to adopt a separate code for each fund by changing the first digit and using the USAID Country Code for the last three.

627.5.9 REVERSE ACCOMMODATION EXCHANGE

Where the host country foreign exchange environment permits, Missions shall obtain US dollar or third country currency necessary for payments against TF obligations through standard commercial practices.

Where standard commercial practices do not allow, or do not offer an economically feasible option for obtaining US dollar or third country currencies, Missions may be able to obtain the needed currency using reverse accommodation exchange procedures available to foreign diplomatic missions.

If neither standard commercial practices nor reverse accommodation exchange through official channels is a viable option, Missions will establish dollar appropriation obligations to cover anticipated dollar payments for otherwise trust funded obligations.

E627.5.9 Reverse Accommodation Exchange - N/A

627.5.10 USDO PAYROLL PROCESSING

Where Missions subscribe to USDO payroll service, the appropriation to be charged for trust funded personnel is the USAID Suspense Account, 72X6875. TF deposits corresponding to payroll charges must be promptly deposited to the suspense account. When USDO Payroll processing occurs during the last week of the fiscal year, Mission Controllers must ensure the corresponding deposit is made in the same fiscal year as the USDO payroll charge. If the exact amount cannot be obtained prior to September 30, an estimated amount of the charge must be deposited.

The suspense account must be reconciled with the USDO payroll report postings of employee contracts taking into account any exchange rate differences between the rate applied by the USDO and the mission deposit to the suspense account.

E627.5.10 USDO Payroll Processing - N/A

627.5.11 TRUST FUND REPORTING

Mission TF activity must be reported to Washington through the Status of Cash Report - Foreign Currency Trust Fund (MACS, U-111 or U-109 Reports) and Summary of Allotment Ledger Transactions Reconciliations With Disbursing Officer's Accounts (MACS, U-106 Reports).

M/FM/CAR will consolidate information from these reports for transmitting in a simplified reporting format through State to Treasury.

E627.5.11 Trust Fund Reporting - N/A

627.5.12 LOCAL CURRENCY TRUST FUND VERIFICATION

The Mission Controllers must ensure accountability of TR accounts by means of:

- Biannual non-Federal audits of the mission's TF management when total disbursements from the TF accounts are \$300,000 or more in any one year since the last audit. A Financial Review is

accomplished on the TF management in the interim years when the audit is not performed unless otherwise specified in the TF agreement.

- This same \$300,000 or over basis is used when determining whether to perform an audit or review on the TF when it is fully disbursed or will be closed.

Audits must review the mission's TF management for conformity to the TF agreement and the applicable Mission Order, which incorporates this policy. Any audit conducted must include all mission TF accounts.

A Financial Review may be conducted by a mission financial analyst. It may also be done by staff from another mission or by contract.

The final audit\review report must be addressed to the Mission Director with copies going to the Mission Controller and FM/CAR. Where appropriate, the cognizant Host Country organization or official may also be included as a recipient.

The audits will be conducted in accordance with ADS 591.5.6 and E591.5.6 (See [ADS 591.5.6](#) and [E591.5.6](#)).

Funding for audits shall be in accordance with ADS 591.5.16(d) (See [ADS 591.5.16\(d\)](#)). The source shall be agreed upon between the mission and the host government and stated in the program agreement. The preferred source of funding is the TF itself. However, the missions may determine to charge the TF or the program operating expense dollar appropriation.

E627.5.12 Local Currency Trust Fund Verification Audit

Regardless of the results, documentation confirming completion of the audit/review will be filed with the TF documentation. There are two conditions which can result in suspension of the requirement to resolve issues with the Host Government.

- The Mission Director, or if there is no Mission Director the Regional Bureau Assistant Administrator (Bureau/AA), can determine that it is politically inappropriate or impossible to resolve the issues, or
- The Mission Director can determine, based on the Mission Controller's request and justification that the resolution is not functionally feasible (e.g., lost, destroyed or unrecoverable records make it impossible to provide independent comparison).

In each case, the determination and the justification for not resolving the issues must be filed with the TF documentation for reference and review.

Those cases where there appears to be an irreconcilable difference should not preclude on-going efforts to research the cause and eventually resolve any differences.

However, if it is determined that there is an irreconcilable difference, then report the amount to M/FM/CAR and carry it forward as a reconciling factor in future comparisons. Each new comparison should re-address the condition(s) to determine if changes have occurred which would result in resolution of previously irreconcilable differences.

627.5.13 HOST GOVERNMENT NOTIFICATION

Missions shall notify the appropriate Host Government organization or official of changes in TF management. The notification shall include the name of the bank which will service the account(s) and advise of the requirement to conduct an audit of the account(s).

Missions must also review and, if necessary, amend the TF agreement with the host government.

627.5.13 Host Government Notification - N/A

627.5.14 DEVIATION

Where Missions determine policies and essential procedures in this document conflict with USAID interests or with specific trust fund agreements, the Mission shall prepare a request for waiver to the Chief, M/FM/CAR citing conflicts and requesting waiver of the specific conditions in conflict. The requestor will be advised of either the waiver acceptance or rejection.

M/FM/CAR will provide a copy of the approved waiver to The Bureau for Management, Office of Management Planning and Innovation, Management Innovation and Control Division (M/MPI/MIC).

Waiver granting documents must be filed with the Trust Fund documentation at the Mission to support necessary deviations.

E627.5.14 Deviation - N/A

627.6 Supplementary Reference - N/A

627.7 Mandatory Reference

[ADS 591](#)

MACS

Mission Accounting and Control System

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